

# Rights and Duties of Principal

We have discussed the rights and duties of the agent towards his principal. now it is essential to discuss the Rights and duties of principal towards his agent –

## DUTIES OF PRINCIPAL

### 1. To indemnify the agent:

Against consequences of lawful act (sec 222): the employer is bound to indemnify his great against the consequences of all lawful acts done by such agent in exercise of the authority conferred upon him. It must be noted that principal is liable only for such damages as are direct and immediate and naturally follow the execution of the agency.

Against consequences of the acts done in good faith (Sec 223): Where one person employs another to do an act and the agent does the act in good faith, the employer is liable to indemnify the agent against the consequences of that act though it causes an injury to the third person.

### 2. To pay remuneration and dues (sec 217):

It is the principal's duty to pay his agent such remuneration as may be payable to him as agent, and also all monies due to the agent in respect of advances made or expenses properly incurred by the agent in conducting the principal's business.

### 3. Compensate the agent for injury caused(Sec 225):

The principal must take compensation to his agent in respect of injury caused to the agent by the principal's neglect or want of skill.

### 4. Misrepresentations or fraud by agent (sec 238):

Misrepresentations made, or frauds committed, by an agent acting in the course of business for his principal, has the same effect on agreement made by such agent as if such misrepresentations or fraud had been made or committed by the principal. In order that a principal shall be made liable for the misrepresentations and frauds committed by the agent, such misrepresentations or frauds must be committed by the agent —

- 1) In the course of the business of his principal; and
- 2) The act must be within the scope of the agent's authority.

## RIGHTS OF PRINCIPAL

### 1. To repudiate contract (Sec 215):

If an agent deals on his own account in the business of the agency, without first obtaining --

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---the consent of his principal and acquainting him with all material circumstances which have come to his own knowledge on the subject, the principal may repudiate the transaction, if the case shows either that any material fact has been dishonestly concealed from him by the agent or that the dealings of the agent have been disadvantageous to him.

## **2. To claim benefit (Sec 216):**

If an agent, without the knowledge of the principal, deals in the business of the agency on his own account instead of on account of his principal, the principal is entitled to claim from the agent any benefit which may have resulted from the transaction.

## **3. To ratify or disown agent's acts (Sec 196):**

Where acts are done by one person on behalf of another but without his knowledge or authority, he may elect to ratify or disown such acts.

## **4. To revoke agent's authority (Sec 203):**

The principal may revoke the authority given to his agent by giving a reasonable notice of revocation at any time before the authority has been exercised.

## **5. To claim loss or profit (Secs 211 & 212):**

The principal is entitled to compensation for any loss sustained by him or to any profits accrued: 1) Where the agent acts contrary to the directions given by the principal; or 2) Where loss is caused due to agent's neglect, want of skill, or misconduct.

## **6. To demand accounts (Sec 213):**

Principal is entitled to demand proper accounts from the agent.

## **7. To refuse remuneration when agent is guilty of misconduct (Sec 220):**

The principal has a right to refuse remuneration to the agent who is guilty of misconduct in the business of the agency.

## **WHEN AGENT WILL BE PERSONALLY LIABLE??**

As a general rule, an agent who enters into a contract on behalf of his principal is not entitled to sue personally nor is he personally liable on the contract. An agent enjoys immunity from being personally sued. It is the principal who can enforce and can be held liable on a contract entered into by his agent.

However, an agent can personally enforce contracts or be personally liable in the following cases.

1. **Where the principal is a foreigner: (Sec 230 (1))** Where the contract is made by an agent for sale or purchase of goods for a merchant resident abroad, the agent is personally liable. In the case of foreign principals, this rule is adopted as the third party does not know the standing and credit of foreign principal. The credit is given to the agent. Foreign party is not a party to the contract at all. He can therefore neither sue nor be sued.

2. **Where principal is undisclosed and unnamed: (Sec 230 (2))** Where the agent does not disclose the name or existence of the principal, he is personally liable. Where the agent has no authority to disclose the name of the principal or existence of the principal, the principal is called an undisclosed principal. The agent also conceals the fact that he is acting as an agent. The third person should not know that the person is acting as an agent.
3. **Where the third person knows of the existence of the principal:** Disclosure of name is not essential and the agent cannot be made personally liable since the knowledge in such a case is equivalent to disclosure. It must be noted that agents may either – (i). Disclose the existence of the principal but not his name; or (ii). He may neither disclose the existence nor the name of the principal
4. **Where the agent expressly agrees.** If an agent expressly agrees to be personally liable for the contract he can be held personally liable.
5. **Where the agent exceeds his authority.** the agent acts in excess of his real as well as apparent authority, he will be personally liable for the excess part.
6. **Where the agent acts for the principal who cannot be sued.** agent contracts on behalf of a principal who cannot be sued like an ambassador of foreign sovereign. The agent will be personally liable.
7. **Where the agent's authority is coupled with interest.** where the contract with the third party relates to the subject matter in which the agent had special interest, the agent is personally liable to the extent of his interest.

## **Rights And Duties Of Principal Towards Agent Rights Of Principal**

1. He can enforce the various duties of an agent.
2. He can recover compensation for any breach of duty by the agent.
3. He can forfeit an agent's remuneration where the agent is guilty of misconduct in the business of the agency.
4. Principal is entitled to any extra profit that the agent has made out of his agency. This includes illegal gratification, if any.
5. Principal is entitled to receive all sums that the transactions, entered into, by the agent, on behalf of the principal were void or illegal.

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